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Mohegan Sun Profits Fall Sharply In Fourth Quarter

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By BRIAN DOWLING, bdowling@courant.com

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The parent company of Mohegan Sun reported on Thursday that the Connecticut casino's operating profits dropped 29 percent in the fourth quarter, with more than half of the decline due to \$12.5 million in severance paid to a group of 300 employees laid off in September.

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That one-time cost aside, the casino also saw broad declines in both gaming and non-gaming revenues.

Mohegan Sun earned \$50.9 million from operations in the three months ending Sept. 30, down from \$71.7 million in the same period in 2011. For the full fiscal year that ended on the same date, the casino in Connecticut earned \$199.4 million from operations, down from \$223.8 million.

Including all expenses, the Mohegan Sun Tribal Gaming Authority, which includes the Mohegan Sun casino, Mohegan Sun at Pocono Downs in Pennsylvania, and other corporate activity, earned a net \$14.8 million in the recent quarter, down two-thirds from \$46.7 million in the same quarter in 2011. In addition to the severance costs, the authority faced lower gaming revenues and sharply higher interest expenses as it refinanced \$1 billion in debt.

The downward trend in revenues is mainly due to a crowding of the Northeast gaming market and weak discretionary spending, said Mitchell Grossinger Etes, chief executive of Mohegan Sun Tribal Authority, citing a continuing trend.

Revenues from slots and table games at the Mohegan Sun casino were down over 8 percent from last year to \$239 million. The drop was in part due to a change in the mix of slot machines on the gaming floor, as part of an effort to improve profitability, the casino said. Sales at the casino's restaurants, bars, arena events and retail establishments were also down.

Slot revenues for Mohegan Sun, of which Connecticut's general fund gets 25%, were down 8.3% to \$171

million in the last quarter of 2012, compared with the same quarter last year.

Hotel business was the one division to fight the trend, posting a near 11 percent increase, which the casino said was due to an occupancy shift to more high paying, transient guests, which increased average daily room rates. The casino had a 97.2 percent occupancy rate, down very slightly from the year before, but the average daily rate was \$92, up from \$83.

The September layoffs were described by company officials as the lion's share of a cost-savings effort projected to yield \$20 million in the 2013 fiscal year. Other paths to cost savings include having more leased slot games and fewer Mohegan-operated restaurants.

Etess said that he expects customers who have left Mohegan properties for Aqueduct in New York to return, but added that "it's economic factors that are affecting revenues more than anything."

For the full fiscal year ending Sept. 30, the authority earned a net \$63.3 million, compared with \$114 million in fiscal 2011, as gaming revenues fell 2.7 percent to \$1.25 billion, while interest expenses and refinancing costs made most of the difference.

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